

From the office of...



Congressman Ken Bentsen

Representing Texas' 25th District

326 Cannon House Office Building

Washington, D.C. 20515-4325

202-225-7508 (phone)

202-225-2947 (fax)

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CONTACT:

Audrey Duff

BENTSEN STATEMENT ON HOUSING GOVERNMENT-SPONSORED ENTERPRISES OVERSIGHT HEARING

(WASHINGTON, D.C.) -- As a Senior Member of the House Financial Services Committee, Congressman Ken Bentsen (D-TX) issued the following statement for today's hearing.

Hearing to Review Voluntary Agreement by Government-Sponsored Enterprises

The Honorable Kenneth E. Bentsen, Jr.

of Texas

before the Subcommittee on Capital Markets, Insurance, and Government-Sponsored Enterprises

Tuesday, March 27, 2001

Mr. Chairman, Thank you for holding this hearing today on the progress on the Voluntary Agreement reached last year by the two government-sponsored enterprises, Fannie Mae and Freddie Mac. As one of the original supporters, I am very pleased that Chairman Baker has agreed to hold this hearing today so we can learn more about the progress that these two housing government-sponsored enterprises (GSEs) have made to meet this program.

I believe that this Voluntary Agreement will help to increase the public confidence in Fannie Mae and Freddie Mac. The Voluntary Agreement calls for these GSEs to implement a six-point plan to increase transparency in the capital markets. These six points include 1) issuing publicly-traded subordinated debt and externally-rated subordinated debt over the next three years; 2) obtaining an annual rating for each company; 3) disclosing a new monthly statement on each company's sensitivity to interest rate changes; 4) disclosing quarterly statements on sudden decline in property values; 5) maintaining greater liquidity; and 6) performing an interim risk-based capital stress test. The last point is especially important since the current regulator of these housing GSEs, the Office of Federal Housing Enterprise Oversight (OFHEO), has not issued its final risk-based capital rules.

I am looking forward to hearing from our witnesses about their efforts to make these companies more accessible and accountable to the public. With additional market and credit information, taxpayers and investors will learn more about their financial strengths and weaknesses. I believe that this program is appropriate and will help to ensure that our secondary mortgage market remains the envy of the world. The voluntary agreement is an important step in ensuring that the government-sponsored enterprises adhere to market disciplines and thus avoids any risk to the taxpayers.